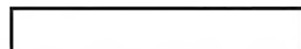


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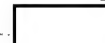
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No
Morocco: Anti-Istiglal dissident elements, consisting mainly of Berber tribesmen in the Rif and Middle Atlās regions of northern Morocco, appear to have stepped up both the pace and boldness of their activities. Troops suspect of sympathizing with the local population in the areas most affected by Berber violence have been replaced by other royal army elements.

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No
Pakistan: [Karachi's apparent decision to cancel its planned purchases of three submarines from the United Kingdom indicates the new government is giving priority to Finance Minister Shoaib's policies to place the country's finances on a sound basis.] Shoaib informed US officials in December that President Ayub had given him virtual veto powers over government expenditures, and that he is determined to eliminate deficit financing by reducing government expenditures and raising taxes on the heretofore privileged agricultural sector. It is not certain, however, that Ayub will continue to support Shoaib in the face of pressures from other government officials for increased spending.

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Moroccan Dissidents Step Up Activities [REDACTED]

[P]redominantly Berber elements in northern Morocco hostile to the dominant Istiqlal party--and especially to its left wing which took over the premiership and other important posts in the cabinet invested on 24 December--appear to have stepped up both the pace and the boldness of their dissident activities. Istiqlal's principal newspaper, Al Alam, has in recent days carried an increasing number of articles concerning violent incidents, and on 2 January it asserted that "many attacks" have been perpetrated against party offices and personnel as part of a foreign-supported plot against the party. [REDACTED]

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[C]oncerned but apparently undaunted by this increasingly serious security problem, Premier Ibrahim's government has so far pursued an uncompromising, even provocative, course which could precipitate an early showdown between the contending forces. Immediately after its investiture a former Berber governor of an outlying province, who was forcibly removed and arrested in January 1957 for defying orders from Rabat and leading an abortive anti-Istiqlal revolt, was finally brought to trial. This led in turn to accusations that the chief "plotter" in the 1957 affair--which Istiqlal leaders claim was supported by France--was another and much more important Berber leader, Lahcen Lyoussi, a partisan of King Mohamed V and a crown counselor until his resignation was forced two weeks ago. [REDACTED]

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[M]eanwhile, elements of the royal army suspected of sympathizing with the local populations in the disaffected areas have been replaced by other, non-indigenous troops, [REDACTED]

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[REDACTED]
[REDACTED] However, the King, who still controls the army through Chief of Staff Crown Prince Moulay Hassan, has thus far endeavored to keep the use of troops to a minimum and would probably be reluctant to sanction drastic military action except as a last resort. If a major tribal revolt should develop, it is doubtful that the army could suppress it without assistance. [REDACTED]

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Pakistani Government Apparently Placing High Priority on Economic Progress

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[Karachi's apparent decision to cancel its planned purchase of three submarines from the United Kingdom indicates that the new government is giving priority to Finance Minister Shoaib's policies aimed at placing the country's finances on a sound basis. This support increases the prospects for economic progress in Pakistan, but it is not certain that Ayub will continue to back Shoaib in the face of pressures from other government officials for additional spending. The decision on the submarines was forecast by Shoaib in December when he informed US officials that President Ayub had given him virtual veto power over government expenditures.]

Shoaib, one of Pakistan's ablest economists, believes that the first task facing the government is to halt inflation by ending deficit financing. He is determined to reduce government expenditures and increase tax revenues enough to accomplish this. He plans to raise taxes on the heretofore privileged agricultural sector, and told US officials on 2 January that the government's crackdown on income tax violators had already yielded \$50,000,000 in back taxes and should reduce tax evasion in the future. If the government succeeds in halting inflation, the competitive position of Pakistan's exports will be considerably improved, thereby easing the foreign exchange shortage.

The government has yet to make a basic decision, however, on the policies it will follow to increase agricultural and industrial production. There is a conflict between those in the government who are inclined to favor a controlled economy and those --led by Shoaib--who favor placing primary reliance on incentives to increase production. While the final decision on this issue is likely to be a compromise, the extent to which the government has followed Shoaib's advice to date suggests that basically sound policies will be adopted.

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